

New Supervision Guidelines 2024 – Strata Managers

Strata CPD Compulsory Topic - 2024/2025

Learner Guide

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Additional resources:

Access a full copy of the 2024 Supervision Guidelines here:

https://www.fairtrading.nsw.gov.au/_data/assets/pdf_file/0012/1300116/supervision-guidelines-property-stock-agents-act-july-2024.pdf

NSW Fair Trading Website: Supervision guidelines

<https://www.fairtrading.nsw.gov.au/housing-and-property/property-professionals/running-a-property-agency/supervision-guidelines>

NSW Fair Trading Website: *Real estate, strata, and stock and station agent Supervision Guidelines and CPD changes*

<https://www.fairtrading.nsw.gov.au/media-releases-news-updates/notices/changes-to-supervision-guidelines-and-cpd-2024>

NSW Fair Trading Website: *Raising professional standards in strata and property services agencies event resources*

<https://www.fairtrading.nsw.gov.au/media-releases-news-updates/notices/changes-to-supervision-guidelines-and-cpd-2024/raising-professional-standards-event>

McGrath Nicol Report on the Investigation into Netstrata:

<https://www.nsw.gov.au/sites/default/files/noindex/2025-02/summary-recommendations-report-netstrata.pdf>

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Introduction

Overview of the Supervision Guidelines

The **Supervision Guidelines 2024** outline the key requirements for ensuring that all **strata management agencies**, regardless of size, operate in a legally compliant and ethically sound manner. The guidelines focus on three core **Supervision Requirements**:

1. **People Leadership** – Properly supervising all persons engaged in the business.
2. **Legal Compliance** – Establishing effective procedures to comply with applicable laws.
3. **Professional Conduct** – Ensuring compliance through continuous monitoring.

Why Proper Supervision Matters

Failure to supervise adequately can lead to:

- Legal penalties (up to **\$22,000 fines** for non-compliance).
- Loss of licence for principal licensees.
- Consumer harm and reputational damage.

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1. Goals & Purpose of the Supervision Guidelines

Empowered, Accountable, and Trusted Property Services

The NSW property services sector must be empowered, accountable, and trusted to ensure consumer confidence and regulatory compliance.

- Empowered: Agents should have the capability, autonomy, and support to manage their business effectively. A well-led team will deliver better client experiences.
- Accountable: Beyond legal compliance, ethical responsibility is key. True accountability is self-imposed rather than externally enforced.
- Trusted: Transparency is crucial in property transactions, which involve high-value, high-emotion decisions. Trust is as important as location in real estate.

Leadership and Supervision in Property and Stock Agencies

Strong leadership is essential for maintaining compliance and ethical standards. Under the law:

- Principal licensees and Class 1 agents (as Licensees in Charge) are legally responsible for ensuring supervision.
- Poor supervision can lead to consumer harm, financial penalties, and disciplinary actions.

Why Supervision Matters

Property agents handle trust funds, contracts, and high-value transactions, meaning that improper supervision can lead to serious consequences for consumers. The guidelines focus on outcomes rather than prescribing rigid actions. They define the minimum leadership obligations to ensure compliance.

Three Key Supervision Requirements Under the Law

Under the *Property and Stock Agents Act*, supervision is divided into three categories:

1. People Leadership (Supervision Requirement 1)

- Ensuring all personnel in the business are properly supervised by a licensee in charge.

2. Legal Compliance (Supervision Requirement 2)

- Establishing operational procedures to ensure compliance with the law.

3. Business Conduct Monitoring (Supervision Requirement 3)

- Ensuring business practices align with the operational procedures and identifying any breaches.

Regulatory Consequences for Non-Compliance

Failure to properly supervise an agency is an offence.

- Breaches can result in a fine of up to 200 penalty units (approximately \$22,000).
- Additional disciplinary actions include license suspension or cancellation.

The Commissioner urges agency leaders to build strong compliance systems and use professional training services where necessary to uphold supervision standards.

2. People Leadership

Understanding Supervision Requirement 1

The first supervision requirement under the Guidelines focuses on ensuring all parts of a property or stock agency business are properly supervised by a Licensee in Charge (LIC). This is essential to maintaining compliance, accountability, and trust within the industry.

Supervision by a Licensee in Charge

Guidance:

Since March 2020, amendments to the *Property and Stock Agents Act* allow a single Licensee in Charge to supervise multiple business locations or different divisions within the same business. Businesses can still choose to have multiple Licensees in Charge for different operations, such as separate supervisors for property sales and property management in a real estate agency. The revised law provides greater flexibility in business operations while still ensuring effective oversight.

Requirements:

- The principal licensee must ensure all parts of the business are under supervision by a Licensee in Charge.
- No division of the business should be left without active supervision.

Supervision of People Engaged in the Business

Guidance:

Supervision involves more than just oversight—it ensures compliance, governance, and accountability. The scope of supervision varies depending on the role of the individuals within the business.

“Persons engaged in the business” includes:

- Real estate agents
- Strata managing agents
- Stock and station agents
- Other employees performing agency functions

Key Aspects of Supervision:

1. Training and Qualifications

- Monitoring assistant agents and Class 2 agents to ensure they are making progress toward obtaining the required Class 2 or Class 1 licenses. This assistance includes verifying completion of their work experience tasks in the Fair Trading logbook. ***This is a new requirement as compared to the previous Supervision Guidelines in force before July 2024.***
- Ensuring staff members are properly trained in operational procedures related to compliance and governance.

2. Induction and Compliance Training

- Providing new and existing employees with structured training on the legal obligations and internal processes of the agency.
- Ensuring employees understand and follow procedures required under Supervision Requirement 2 (Legal Compliance).

3. Reporting and Misconduct Procedures

- Creating clear reporting mechanisms for employees to report misconduct within the business.
- Ensuring staff can raise concerns about potential legal breaches in a safe and transparent manner.

Requirements:

- Principal licensees and Licensees in Charge must ensure that everyone working in the business is properly supervised.
- Licensees in Charge must actively assist employees in fulfilling their work experience requirements as per the [Property and Stock Agents \(Qualifications\) Order 2019](#).

Why Effective Supervision Matters

Proper supervision is not optional—it is a legal obligation that ensures consumer protection and reduces the risk of misconduct. Failing to supervise employees properly can result in legal consequences, fines, and damage to an agency's reputation. The supervision framework ensures that businesses maintain high professional standards, train staff effectively, and comply with NSW Fair Trading regulations.

Role of a Licensee in Charge

- Every part of the business **must be supervised** by a **licensee in charge** (LIC).
- A single LIC can oversee multiple locations.

Supervising Staff and Ensuring Compliance

- Monitoring **assistant agents and Class 2 agents** to ensure they progress towards licensing.
- Providing **training and operational procedures**.
- Ensuring staff understand **reporting procedures** for misconduct.

Identifying the New Requirements

LICs must now assist assistant agents and class 2 agents by verifying completion of their work experience tasks in the Fair Trading logbook.

Conduct an Internal Compliance Check

Ask yourself these questions:

- Is every office/branch supervised by a **licensee in charge**?
- Do all agents receive **induction training**?
- Is there a **reporting process** for breaches?
- What might need immediate attention?

3. Legal Compliance

Understanding Supervision Requirement 2

Supervision Requirement 2 mandates that strata agencies establish and maintain robust compliance procedures to ensure adherence to all relevant legal obligations. This requirement safeguards clients, licensees, and regulatory bodies by providing clear operational standards.

Establishing and Maintaining Compliance Procedures

Strata managing agencies must have documented compliance procedures covering:

- **Trust account management** – Ensuring proper handling of client funds under the Property and Stock Agents Act 2002.
- **Record-keeping obligations** – Maintaining accurate documentation for audits and regulatory review.
- **Handling client complaints** – Establishing a clear framework for dispute resolution and consumer protection.
- **Disclosure and transparency** – Preventing conflicts of interest through clear reporting mechanisms.
- **Privacy and confidentiality** – Adhering to the Privacy Act 1988 and ensuring client data is securely stored.

To maintain compliance, agencies must:

- Regularly review and update policies in response to legislative changes.
- Conduct internal compliance audits at least once per year.
- Implement training programs to ensure staff understands compliance obligations.

Key Components of Required Procedures

The following components are essential for effective compliance management:

1. Financial and Trust Account Supervision

- Agencies must establish internal controls over financial transactions, including:
 - Daily reconciliation of trust accounts.
 - Clear authorisation processes for withdrawals and payments.
 - Regular external auditing to identify discrepancies.

2. Staff Training and Compliance Awareness

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- Licensees must ensure that all staff members receive formal training on:
 - Ethical standards and conduct expectations.
 - The agency's supervision policies and legal requirements.
 - Handling high-risk transactions and compliance red flags.

3. Client Interaction and Complaint Handling

- Agencies must have documented client communication policies, including:
 - Clear response times for client queries.
 - A structured dispute resolution process for handling complaints.
 - Legal obligations around disclosure of fees and commissions.

The New Legal Compliance Requirements

Key Changes in the 2024 Supervision Guidelines:

Operational procedures must:

- exist separately to the Supervision Guidelines and be specific to the business or group of businesses to which they apply
- identify the laws that apply to the business using a comprehensive list in the Guidelines as a starting point
- address four key areas of risk to compliance, including financial, licensing, qualifications and training, and professional conduct
- document the licenced roles within the business and who is performing them, along with their status as certificate of registration holder, class 2 agent, class 1 agent, licensee in charge, and/or accredited auctioneer
- for qualifications, education and training, the annual training plan currently required to include records of non-compliance with CPD and a plan for training in legislation changes throughout the year, and
- for professional conduct, compliance with conflict of interest disclosure obligations, compliance with reporting obligations under the Privacy Act and use of third-party platforms.

Learning Outcome 3.3: Internal Compliance Review

Use this checklist to conduct a compliance review:

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- Are all financial transactions properly documented and reconciled?
- Is there an up-to-date supervision policy covering all required areas?
- Are staff training records maintained and regularly updated?
- Is there a system for reporting compliance breaches and tracking resolution?
- Are trust account records easily accessible for auditing purposes?
- Are client records stored securely and in compliance with privacy laws?

Recommended Best Practices for Ongoing Compliance:

- Schedule quarterly compliance audits to identify and address risks before they escalate.
- Assign a compliance officer within the agency to oversee adherence to policies.
- Conduct staff refresher training sessions on legal obligations and procedural updates.
- Establish automated compliance tracking systems to streamline supervision processes.

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4. Monitoring Business Conduct

Understanding Supervision Requirement 3

Supervision Requirement 3 ensures that business conduct is monitored continuously to confirm compliance with operational procedures. Monitoring business conduct involves active oversight, record-keeping, risk mitigation, and enforcement of procedures.

Obligations of Licensees and Certificate Holders

Principal licensees and licensees in charge are legally responsible for ensuring business compliance. All employees engaged in the business must be monitored for adherence to operational procedures. Regular performance and conduct reviews must be conducted to prevent non-compliance. Detailed documentation of compliance activities and breaches must be maintained for at least three years.

The New Guidance on Business Monitoring

Key Changes in the 2024 Supervision Guidelines:

- Principals and licensees in charge must establish adequate systems to monitor the conduct of the business to ensure that the requirements of the operational procedures are complied with, and
- licensees in charge must record instances of non-compliance with the operational procedures and any corrective action taken.

Conducting an Internal Business Conduct Check

Checklist for Monitoring Business Conduct:

- Are all staff regularly reviewed for compliance with supervision procedures?
- Is there evidence of staff training and guidance on compliance responsibilities?
- Are trust accounts and financial transactions regularly audited?
- Is misconduct properly recorded and addressed?
- Do operational procedures include compliance breach reporting mechanisms?

5. A Case Study – Proper Supervision Challenges

A Licensee in Charge Suddenly Leaves

Kelly Varnsen is managing director and licensee in charge of KV Pty Limited trading as Sensation Strata. The business has three registered offices: one each in Brighton-le-Sands, Bondi Junction and Burwood. KV Pty Ltd holds a corporation licence under the Property and Stock Agents Act 2002, while Kelly holds a class 1 strata managing agent's licence. The business has 35 staff operating out of the branches, 30 of whom hold a class 2 licence in strata management and five are assistant agents.

Unfortunately, Kelly suffers a severe heart attack and efforts to revive her are not successful. Her untimely passing leaves the corporation without a licensee in charge.

Discussion Questions:

1. Who holds the legal obligation for proper supervision of the business following Kelly's death?
2. What are the compliance steps that must be taken in the days following Kelly's death, and when, under the Property and Stock Agents Act and the Supervision Guidelines?
3. What steps could Kelly Varnsen and KV Pty Ltd have taken prior to Kelly's death to ensure risks of a failure of supervision would be minimised in the event of the sudden and unexpected departure of a sole licensee in charge?

Identifying Legal Responsibilities

- The principal licensee remains responsible for overall supervision.
- If the LIC was an employee, a replacement must be appointed immediately.
- Staff members must be informed about transitional leadership arrangements.
- The business must ensure compliance does not lapse during the transition.

Compliance Steps in Emergencies

- Notify NSW Fair Trading of changes in business leadership.
- Immediately appoint an interim licensee in charge.
- Conduct a rapid compliance check to verify continued supervision of staff and financial governance.
- Ensure that trust accounts and legal documents remain accessible.

Risk Mitigation Strategies for Leadership Transition

- Pre-plan supervision contingencies by designating secondary leadership roles.
- Ensure staff are cross-trained in supervision responsibilities.
- Maintain a digital compliance tracking system for seamless leadership handovers.
- Establish a business continuity plan with step-by-step compliance actions in case of sudden departures.

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